

CASS CITY PUBLIC SCHOOLS

Cass City, Michigan

Report on Financial Statements
(with required supplementary
and additional information)
June 30, 2008

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August 21, 2008

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Cass City Public Schools
Cass City, Michigan 48726

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cass City Public Schools, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of Cass City Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cass City Public Schools as of June 30, 2008 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2008, on our consideration of the Cass City Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i through vii and page 21, are not a required part of the basic financial statements but are

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Board of Education
Cass City Public Schools
August 21, 2008

supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cass City Public Schools' basic financial statements. The additional information on pages 22 to 41 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Cass City Public School District
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008

Cass City School District, a K-12 school district located in Tuscola, Sanilac and Huron Counties, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Cass City School District administration's discussion and analysis of the financial results for the fiscal years ended June 30, 2008 and June 30, 2007.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

Fund Financial Statements

For the most part, the fund financial statements are comparable to prior years' financial statements. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

Government-wide Financial Statements

The government-wide financial statements are calculated using full accrual accounting and more closely represent those presented by business and industry. All of the District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

Cass City Public School District
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008

Summary of Net Assets

The following schedule summarizes the net assets at fiscal years ended:

| | <u>June 30, 2008</u> | <u>June 30, 2007</u> |
|---|----------------------|----------------------|
| Assets | | |
| Current assets | \$ 5,083,930 | \$ 4,257,896 |
| Capital assets | 14,870,393 | 14,766,156 |
| Less: Accumulated Depreciation | <u>(6,830,609)</u> | <u>(6,424,750)</u> |
| Capital Assets, net book value | <u>8,039,784</u> | <u>8,341,406</u> |
| Total assets | <u>\$ 13,123,714</u> | <u>\$ 12,599,302</u> |
| Liabilities | | |
| Current liabilities | \$ 4,566,862 | \$ 4,373,053 |
| Long-term liabilities | <u>1,558,745</u> | <u>2,199,702</u> |
| Total liabilities | 6,125,607 | 6,572,755 |
| Net Assets | | |
| Invested in capital assets, net of related debt | 6,007,909 | 5,673,000 |
| Restricted for debt service | 315,105 | 278,958 |
| Unrestricted (Deficit) | <u>675,093</u> | <u>74,589</u> |
| Total net assets | <u>6,998,107</u> | <u>6,026,547</u> |
| Total liabilities and net assets | <u>\$ 13,123,714</u> | <u>\$ 12,599,302</u> |

Analysis of Financial Position

During the fiscal year ended June 30, 2008, the District's net assets increased by \$971,560. A few of the more significant factors affecting net assets during the year are discussed below.

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. The depreciation expense for the fiscal years ended June 30, 2008 and June 30, 2007 was \$405,858 and \$398,125.

Cass City Public School District
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2008, \$104,237 of expenditures were capitalized and recorded as assets of the District and \$1,332,130 for the year ended June 30, 2007. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$301,621 for the fiscal year ended June 30, 2008.

Results of Operations

For the fiscal year ended June 30, 2008, and June 30, 2007, the results of operations, on a District-wide basis, were:

| | June 30, 2008 | | June 30, 2007 | |
|-----------------------------------|-------------------|----------------|-------------------|----------------|
| | Amount | Total | Amount | % of Total |
| General Revenues | | | | |
| Property taxes | \$ 1,617,109 | 13.21% | \$ 1,523,984 | 11.94% |
| Investment earnings | 84,580 | 0.69% | 75,185 | 0.59% |
| State sources | 9,487,483 | 77.50% | 10,013,860 | 78.49% |
| Transfers from other districts | 49,591 | 0.41% | 44,308 | 0.35% |
| Sale of school property | 1,728 | 0.01% | 72,336 | 0.57% |
| Other | 40,603 | 0.33% | 59,479 | 0.47% |
| Total general revenues | <u>11,281,094</u> | <u>92.16%</u> | <u>11,789,152</u> | <u>92.40%</u> |
| Program Revenues | | | | |
| Charges for services | 264,267 | 2.16% | 291,131 | 2.28% |
| Operating grants | 695,954 | 5.69% | 678,197 | 5.32% |
| Total revenues | <u>12,241,315</u> | <u>100.00%</u> | <u>12,758,480</u> | <u>100.00%</u> |
| Expenses | | | | |
| Instruction | 7,111,880 | 63.11% | 7,513,207 | 63.59% |
| Support services | 2,845,886 | 25.25% | 3,000,365 | 25.40% |
| Community services | 15,474 | 0.14% | 59,401 | 0.50% |
| Capital Outlay | 33,310 | 0.30% | | |
| Food services | 529,432 | 4.70% | 523,011 | 4.43% |
| Athletics | 201,293 | 1.79% | 206,365 | 1.75% |
| Interest on long-term debt | 126,622 | 1.12% | 113,770 | 0.96% |
| Unallocated depreciation expense | 405,858 | 3.60% | 398,125 | 3.37% |
| | <u>11,269,755</u> | <u>100.00%</u> | <u>11,814,244</u> | <u>100.00%</u> |
| Increase (decrease) in net assets | <u>\$ 971,560</u> | | <u>\$ 944,236</u> | |

Cass City Public School District
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008

Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

The District levies 18 mills of property taxes for operations on non-homestead properties. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2007-2008 fiscal year, the district levied \$842,443 non-homestead property taxes. This represented an increase of 1.07% from the prior year. The amount of unpaid property taxes at June 30, 2008, less an estimate for those deemed to be un-collectible, was \$17,000.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

| Fiscal Year | Non-homestead Tax Levy | % Increase (Decrease) from prior year |
|-------------|---------------------------|---|
| 2007 - 2008 | \$842,443 | 1.07 |
| 2006 - 2007 | 833,501 | 13.23 |
| 2005 - 2006 | 736,109 | (1.81) |
| 2004 - 2005 | 749,703 | 6.04 |
| 2003 - 2004 | 707,005 | 8.87 |

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. For the 2007 - 2008 fiscal year, the District's foundation allowance was \$7,204 per student FTE, which represented an increase of \$119 over the amount received for the 2006 - 2007 fiscal year.

3. Student Enrollment

The following schedule compares actual to budgeted FTE for the blended student enrollment for the past five fiscal years:

| | Actual Blended Student FTE | Budgeted Blended Student FTE | Variance Favorable (Unfavorable) |
|-------------|----------------------------------|------------------------------------|--|
| 2007 - 2008 | 1,378 | 1,378 | 0 |
| 2006 - 2007 | 1,463 | 1,463 | 0 |
| 2005 - 2006 | 1,496 | 1,483 | 13 |
| 2004 - 2005 | 1,520 | 1,514 | 6 |
| 2003 - 2004 | 1,531 | 1,530 | 1 |

Cass City Public School District
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2008, federal, state and other grants accounted for \$695,954. This represents an increase of \$17,757 over the total grant sources received for the 2006 -- 2007 fiscal year.

5. County Special Education Allocation

For the fiscal year ended June 30, 2008, the District received an allocation from the Tuscola Intermediate School District in the amount of \$41,939 to assist with the education of students with special needs.

6. Interest Earnings

The District received interest on its investments in the amount of \$84,580 for the fiscal year ended June 30, 2008. Interest revenues are up from the prior fiscal year by \$9,395.

7. Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund balances is shown below.

| <u>Expenditures</u> | <u>2007-2008 Fiscal Year</u> | <u>2006-2007 Fiscal Year</u> | <u>Increase (Decrease)</u> |
|------------------------------|----------------------------------|----------------------------------|--------------------------------|
| Instruction | \$ 7,137,833 | \$ 7,576,946 | \$ (439,113) |
| Supporting Services | 2,835,580 | 2,934,514 | (98,934) |
| Food service activities | 529,432 | 523,011 | 6,421 |
| Athletic activities | 201,293 | 206,365 | (5,072) |
| Community service activities | 15,474 | 59,401 | (43,927) |
| Capital outlay | 137,547 | 1,374,777 | (1,237,230) |
| Debt service | 703,360 | 735,349 | (31,989) |
| Total Expenditures | <u>\$ 11,560,519</u> | <u>\$ 13,410,363</u> | <u>\$ (1,849,844)</u> |

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1st. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30th.

For the 2007 – 2008 fiscal year, the district amended the general fund budget several times with the Board adopting the final changes in June 2008. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

Cass City Public School District
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (negative) | % Variance |
|---------------------------------|--------------------|-----------------|--------------|--|------------|
| Total revenues | \$10,899,358 | \$10,978,548 | \$10,907,086 | \$(71,462) | -0.65% |
| Expenditures: | | | | | |
| Instruction | \$ 7,302,117 | \$ 7,100,237 | \$ 7,137,833 | \$(37,596) | -0.53% |
| Supporting services | 3,033,085 | 3,052,252 | 2,973,127 | 79,125 | 2.59% |
| Community services | 3,250 | 15,474 | 15,474 | - | 0.00% |
| Total expenditures | \$10,338,452 | \$10,167,963 | \$10,126,434 | \$ 41,529 | 0.41% |
| Other Financing sources (uses): | | | | | |
| Loan proceeds | 94,153 | 94,153 | 94,153 | - | 0.00% |
| Principal payments | (55,803) | (55,803) | (90,683) | (34,880) | 62.51% |
| Interest payment | (49,344) | (49,344) | (55,231) | (5,887) | 11.93% |
| Transfer to athletic fund | (160,000) | (160,000) | (160,000) | - | 0.00% |

Capital Asset and Debt Administration

Capital Assets

By the end of the 2007 – 2008 fiscal year, the district had invested \$14,870,393 a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of \$104,237 over the prior fiscal year. Depreciated expense for the year amounted to \$405,858 bringing the accumulation to \$6,830,609 as of June 30, 2008.

Long- term Debt

At June 30, 2008, the District had \$2,388,197 in long-term debt outstanding, of which \$2,031,875 was bonded debt. This represents a decrease in bonded debt of \$624,012 over the amount outstanding at the closed of the prior fiscal year.

Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future.

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2008 – 2009 fiscal year. The early indication is that the foundation allowance will remain uncertain well into the fiscal year which will pose a challenge to the District to maintain structural balance while continuing with its educational programming.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance. Additionally, the State has not managed

Cass City Public School District
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008

to keep down the growth in the rate districts fund the retirement system over the past few years, and the increase in the number of retirees projected to occur over the next few years may also result in higher annual increases.

- The State of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Education Assessment Program) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Behind Act, adequate yearly progress of students will be more important as certain portions of funding are now tied to it.

Contracting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact:

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Cass City Public Schools
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BASIC FINANCIAL STATEMENTS

CASS CITY PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
June 30, 2008

| | | GOVERNMENTAL ACTIVITIES |
|---|-----------|------------------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash | \$ | 3,261,702 |
| Investments | | 30,351 |
| Due from other governmental units | | 1,722,289 |
| Accounts Receivable | | 52,588 |
| Property taxes receivable | | 17,000 |
| Due from other funds | | - |
| TOTAL CURRENT ASSETS | | 5,083,930 |
| NONCURRENT ASSETS: | | |
| Capital assets | | 14,870,393 |
| Less accumulated depreciation | | (6,830,609) |
| TOTAL NONCURRENT ASSETS | | 8,039,784 |
| TOTAL ASSETS | \$ | 13,123,714 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ | 88,164 |
| Notes payable | | 2,700,000 |
| Accrued salaries & wages | | 389,579 |
| Accrued payroll taxes | | 53,140 |
| Accrued interest | | 29,066 |
| Benefits payable | | 298,424 |
| Retirement payable | | 162,382 |
| Deferred revenue | | 16,645 |
| Retirement incentive payable | | 80,000 |
| Current portion of long term debt | | 749,462 |
| TOTAL CURRENT LIABILITIES | | 4,566,862 |
| NONCURRENT LIABILITIES: | | |
| Noncurrent portion of long term debt | | 1,282,413 |
| Retirement incentive payable | | 60,000 |
| Compensated Absences | | 216,322 |
| TOTAL NONCURRENT LIABILITIES | | 1,558,735 |
| NET ASSETS: | | |
| Invested in capital assets, net of related debt | | 6,007,909 |
| Restricted for debt service | | 315,105 |
| Unrestricted | | 675,103 |
| TOTAL NET ASSETS | | 6,998,117 |
| TOTAL LIABILITIES AND NET ASSETS | \$ | 13,123,714 |

The accompanying notes are an integral part of the financial statements.

CASS CITY PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

| Functions/Programs | Expenses | PROGRAM REVENUES | | GOVERNMENTAL ACTIVITIES |
|---|----------------------|-------------------------|---------------------|--|
| | | Charges for Services | Operating Grants | Net (Expense) Revenue and Changes in Net Assets |
| Governmental activities: | | | | |
| Instruction | \$ 7,111,873 | \$ 9,253 | \$ 272,894 | \$ (6,829,726) |
| Support services | 2,845,883 | 3,966 | 116,954 | (2,724,963) |
| Community services | 15,474 | | | (15,474) |
| Capital outlay | 33,310 | | | (33,310) |
| Food services | 529,432 | 210,471 | 306,106 | (12,855) |
| Athletics | 201,293 | 40,577 | | (160,716) |
| Interest on long-term debt | 126,622 | | | (126,622) |
| Unallocated depreciation | 405,858 | | | (405,858) |
| Total governmental activities | <u>\$ 11,269,745</u> | <u>\$ 264,267</u> | <u>\$ 695,954</u> | (10,309,524) |
| General revenues: | | | | |
| Property taxes, levied for general purposes | | | | 887,911 |
| Property taxes, levied for debt service | | | | 729,198 |
| State of Michigan school aid unrestricted | | | | 9,487,483 |
| Investment revenue | | | | 84,580 |
| Transfer from other districts | | | | 49,591 |
| Sale of school property | | | | 1,728 |
| Miscellaneous | | | | 40,603 |
| Total general revenue | | | | <u>11,281,094</u> |
| Change in net assets | | | | 971,570 |
| Net assets, beginning of year | | | | <u>6,026,547</u> |
| Net assets, end of year | | | | <u>\$ 6,998,117</u> |

The accompanying notes are an integral part of the financial statements.

CASS CITY PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

| | GENERAL FUND | DEBT SERVICE | OTHER NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|---------------------|-------------------|--|--------------------------------|
| <u>ASSETS</u> | | | | |
| CURRENT ASSETS: | | | | |
| Cash | \$ 2,865,528 | \$ 344,171 | \$ 52,003 | \$ 3,261,702 |
| Investments | 30,351 | | | 30,351 |
| Due from other governmental units | 1,722,289 | | | 1,722,289 |
| Accounts receivable | 45,415 | - | 7,173 | 52,588 |
| Due from other funds | 5,265 | - | - | 5,265 |
| TOTAL ASSETS | \$ 4,668,848 | \$ 344,171 | \$ 59,176 | \$ 5,072,195 |
| <u>LIABILITIES AND FUND BALANCE</u> | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ 88,164 | | \$ - | \$ 88,164 |
| Notes payable | 2,700,000 | | | 2,700,000 |
| Accrued interest | 10,080 | | | 10,080 |
| Accrued salaries & wages | 389,579 | | | 389,579 |
| Due to other funds | - | | 5,265 | 5,265 |
| Deferred revenue | 16,645 | | | 16,645 |
| Accrued payroll taxes | 53,140 | | | 53,140 |
| Benefits payable | 298,424 | | | 298,424 |
| Retirement payable | 162,382 | | | 162,382 |
| TOTAL LIABILITIES | 3,718,414 | | 5,265 | 3,723,679 |
| FUND BALANCE: | | | | |
| Unreserved | 950,434 | | 53,911 | 1,004,345 |
| Reserved for debt service | | \$ 344,171 | | 344,171 |
| TOTAL FUND BALANCE | 950,434 | 344,171 | 53,911 | 1,348,516 |
| TOTAL LIABILITIES & FUND BALANCE | \$ 4,668,848 | \$ 344,171 | \$ 59,176 | \$ 5,072,195 |

The accompanying notes are an integral part of the financial statements.

CASS CITY PUBLIC SCHOOLS
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2008

| | |
|---|----------------------------|
| Total Fund Balances - Governmental Funds | \$ 1,348,516 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds | |
| The cost of the capital assets is: | 14,870,393 |
| Accumulated depreciation is: | (6,830,609) |
| Long term liabilities are not due and payable in the current period and are not reported in the funds | |
| Bonds payable: | (2,031,875) |
| Retirement incentive payable | (140,000) |
| Compensated absences | (216,322) |
| Accrued interest is not included as a liability in governmental funds; it is recorded when paid: | (18,986) |
| Balance of taxes receivable at 6/30/08 less allowance for doubtful accounts, expected to be collected after September 1, 2008 | <u>17,000</u> |
| Net Assets of Governmental Activities | <u>\$ 6,998,117</u> |

CASS CITY PUBLIC SCHOOLS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

| | GENERAL FUND | DEBT SERVICE | OTHER NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|-------------------|-------------------|--|--------------------------------|
| REVENUES: | | | | |
| Local sources | | | | |
| Property Tax | \$ 887,911 | \$ 729,198 | | \$ 1,617,109 |
| Interest income | 68,673 | 13,638 | \$ 2,269 | 84,580 |
| Food sales and athletic admissions | | | 251,048 | 251,048 |
| Other | 53,822 | | - | 53,822 |
| State sources | 9,455,513 | - | 31,970 | 9,487,483 |
| Federal sources | 389,848 | | 306,106 | 695,954 |
| Other transactions: | | | | |
| Transfers from other districts | 49,591 | | | 49,591 |
| TOTAL REVENUES | 10,905,358 | 742,836 | 591,393 | 12,239,587 |
| EXPENDITURES: | | | | |
| Instruction | 7,137,833 | | | 7,137,833 |
| Supporting services | 2,835,580 | | | 2,835,580 |
| Community services | 15,474 | | | 15,474 |
| Food services | | | 529,432 | 529,432 |
| Athletics | | | 201,293 | 201,293 |
| Capital outlay | 137,547 | | | 137,547 |
| Debt service: | | | | |
| Principal retirement | - | 640,000 | | 640,000 |
| Interest | - | 63,360 | | 63,360 |
| Other costs | - | - | | - |
| TOTAL EXPENDITURES | 10,126,434 | 703,360 | 730,725 | 11,560,519 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 778,924 | 39,476 | (139,332) | 679,068 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfer from General Fund | | | 160,000 | 160,000 |
| Transfer to Athletic Fund | (160,000) | | | (160,000) |
| Principal payments | (90,683) | | | (90,683) |
| Interest payments | (55,231) | | | (55,231) |
| Loan Proceeds | 94,153 | | | 94,153 |
| Proceeds from Bus Loan | - | | | - |
| Sale of school property | 1,728 | | | 1,728 |
| TOTAL OTHER FINANCING SOURCES (USES) | (210,033) | - | 160,000 | (50,033) |
| EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES) | 568,891 | 39,476 | 20,668 | 629,035 |
| FUND BALANCE (DEFICIT) - BEGINNING OF YEAR | 381,543 | 304,695 | 33,243 | 719,481 |
| FUND BALANCE - END OF YEAR | \$ 950,434 | \$ 344,171 | \$ 53,911 | \$ 1,348,516 |

The accompanying notes are an integral part of the financial statements.

CASS CITY PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2008

| | |
|--|-------------------|
| Total net change in fund balances--governmental funds | \$ 629,035 |
|--|-------------------|

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

| | |
|----------------------|-----------|
| Depreciation expense | (405,858) |
| Capital outlay | 104,237 |
| Basis of assets sold | - |

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

| | |
|---|----------|
| Accrued interest payable at the beginning of the year | 10,955 |
| Accrued interest payable at the end of the year | (18,986) |

| | |
|--|---------|
| Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities) | 730,683 |
|--|---------|

| | |
|--|----------|
| Proceeds on long-term debt is a revenue in the governmental funds, but not in the statement of activities (it is an increase of liabilities) | (94,153) |
|--|----------|

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

| | |
|--|----------|
| Accrued revenue at the beginning of the year | (17,000) |
| Accrued revenue at the end of the year | 17,000 |

Compensated retirement incentives are reported on the accrual method in the statement of activities and recorded as an expenditure when financial resources are used in the governmental funds:

| | |
|--|-----------|
| Accrued retirement incentives at the beginning of the year | 190,000 |
| Accrued retirement incentives at the end of the year | (140,000) |

Accrued compensated absences are recorded in the statement of activities when incurred, but it is not recorded in the governmental funds until it is paid.

| | |
|---|-----------|
| Accrued absences at the beginning of the year | 181,979 |
| Accrued absences at the end of the year | (216,322) |

| | |
|--|-------------------|
| Change in net assets of governmental activities | \$ 971,570 |
|--|-------------------|

The accompanying notes are an integral part of the financial statements.

CASS CITY PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2008

| | <u>AGENCY FUNDS</u> |
|------------------------------|-------------------------|
| CURRENT ASSETS | |
| Cash | \$ 96,721 |
| Investments | |
| TOTAL ASSETS | <u><u>\$ 96,721</u></u> |
| LIABILITIES | |
| Due to student organizations | \$ 96,721 |
| Due to general fund | |
| TOTAL LIABILITIES | <u><u>\$ 96,721</u></u> |

The accompanying notes are an integral part of the financial statements.

CASS CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The School district was organized in 1856 and presently covers approximately 200 square miles covering all or parts of 13 Townships in Tuscola County. The School District operates under an elected School Board (7 members) and provides educational services to approximately 1,378 students.

The basic financial statements of the Cass City Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

REPORTING ENTITY:

The Cass City Public Schools (the "District") is governed by the Cass City Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in GASB Statement #14 and #39, nor is the District a component unit of another entity.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has largely been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use, or directly benefit from goods or services by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the Intermediate School District and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District utilizes restricted resources to finance their respective, qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. These functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

CASS CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued):

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds:

Governmental funds are those funds through which most school district functions are typically financed. The acquisition, use, and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the servicing of general long-term debt. This fund is not a major fund, however, the District reports it as one.

The District reports the following nonmajor governmental fund:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The school service funds of the District are accounted for as special revenue funds and include the athletic and school lunch programs.

Fiduciary Funds:

Fiduciary funds account for assets held by the district in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the district under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following fiduciary funds:

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they were levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

CASS CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (Continued):

Modified Accrual Method

Governmental funds are used to account for the District's general government activities. Governmental fund types use the flow of *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collectible within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue:

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008 the foundation allowance was based on the pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2007 to August, 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

ASSETS, LIABILITIES AND EQUITY:

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost. The District had no investments at June 30th.

CASS CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

ASSETS, LIABILITIES AND EQUITY (Continued):

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds Balance Sheet.

3. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year-end). Amounts received subsequent to August 31 are recognized as revenue when collected.

The District along with certain other governmental units is permitted by the Constitution of the State of Michigan of 1963 to levy combined taxes up to \$50 per \$1,000 of assessed valuation for general governmental services other than the payment of Debt Service Fund expenses if approved by a majority of the electors. The District must include certain tax levies of other governmental units located within the District, primarily the county, when determining the maximum millage of \$50 per \$1,000 of assessed valuation. For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

| <u>FUND</u> | <u>MILLS</u> |
|------------------------------|--------------|
| General Fund - Non Homestead | 18.00 |
| 1996 Debt Service Fund | 3.25 |

4. Prepaid items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

CASS CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

ASSETS, LIABILITIES AND EQUITY, (Continued):

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as followed:

| | |
|-------------------------------|--------------|
| Buildings and additions | 50 years |
| Furniture and other equipment | 5 – 15 years |

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated Absences

Each teacher shall be credited with six sick leave days at the beginning of each semester that can be accumulated to eighty-seven days. All unused sick leave days in excess of seventy-five days shall be paid to the teacher at the end of the school year on the basis of 85% of the substitute teacher rate per day. If a teacher leaves the district, they forfeit their accumulated sick leave time. Retiring teachers are paid for all their accumulated sick days at the rate described above.

7. Unemployment Insurance.

The District reimburses the Michigan Employment Security Commission (MESA) for the actual amount of unemployment benefits disbursed by the MESA on behalf of the District. Billings received for amounts paid by the MESA through June 30, are accrued, if material.

8. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Balance.

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spendable resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

10. Memorandum only - Total Column.

The total column on the combined general-purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis and do not represent consolidated financial information. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**CASS CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

ASSETS, LIABILITIES AND EQUITY, (Continued):

11. Use of Estimates.

The process of preparing basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

Budgets are adopted on a basis consistent with U. S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue and debt service fund.
6. The budget as presented, has been amended, Supplemental appropriations were made during the year with the last one approved prior to June 30.
7. Total instructional expenditures for the year exceeded the final budget by \$37,597. The total other financing uses over expenditures exceeded the budget by \$40,767. This is a violation of the budgeting act.

CASS CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK:

As of June 30, 2008 the District had the following investments.

| Investment Type | Fair value | Average Maturity (Years) | Standard & Poor's Rating | % |
|---------------------------------------|------------|--------------------------|--------------------------|--------|
| MILAF External Investment pool -MICMS | \$30,351 | 0.0027 | 2 | 100.0% |
| Total fair value | \$30,351 | | | 100.0% |
| Portfolio weighted average maturity | | 0.0027 | | |

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2008, the fair value of the District's investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2008, the carrying amount of the District's deposits was \$3,358,423 and the bank balance was \$3,447,983. Of the bank balance, \$175,656 was covered by federal deposit insurance while the remaining bank balance of \$3,272,327 was uninsured and uncollateralized. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts are reported in the financial statements as follows:

| | |
|-----------------------------|---------------------|
| Cash - District wide | \$ 3,261,702 |
| Fiduciary Funds | 96,721 |
| Investments - District wide | 30,351 |
| | <u>\$ 3,388,774</u> |

CASS CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 4 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and post-retirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2008 was 17.74% through September 2007 and 16.72% for October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2008, 2007, and 2006, were \$998,218, \$1,101,925, and \$1,070,319, respectively, and were equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-Employment Benefits – Also within the MPERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the MPERS with the balance deducted from the monthly pension.

NOTE 5 - RISK MANAGEMENT:

The District is exposed to risk of loss related to injuries to employees'. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions.

CASS CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:

| | <u>INTERFUND RECEIVABLE</u> | <u>INTERFUND PAYABLE</u> |
|-----------------------|---------------------------------|------------------------------|
| General Fund | \$ 5,265 | \$ - |
| Special Revenue Fund: | | |
| Food Service | - | 5,265 |
| Total | <u>\$ 5,265</u> | <u>\$ 5,265</u> |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

NOTE 7 - LONG-TERM DEBT:

The following is a summary of the serial bonds of the school district for the year ended June 30, 2008:

| | <u>SERIAL BONDS</u> |
|--|-------------------------|
| Balance payable - July 1, 2007 | \$3,040,384 |
| 1996 Bonds paid | (640,000) |
| Skyward software loan payment | (12,518) |
| Durant debt payment | - |
| Accumulated Compensated absences increase | 34,343 |
| Teacher early retirement incentives paid | (110,000) |
| Teacher early retirement incentives: 2007-08 | 60,000 |
| Bus Loan Payment | (22,362) |
| Telephone System Loan | 94,153 |
| Energy Program Loan Payment | (55,803) |
| Balance payable June 30, 2008 | <u>\$2,388,197</u> |

As of June 30, 2008, the school district had the following outstanding bonds and notes payable:

| | |
|--|---------------------|
| 1996 bond to erect a new middle school building; 4.90% to 5.00% interest | \$ 640,000 |
| 1998 Durant bonds; 4.76% interest | 51,260 |
| Accumulated Compensated absences | 216,322 |
| Teacher early retirement incentives | 140,000 |
| Energy Program Loan | 1,146,510 |
| Telephone System Loan; 4.9% interest for five years | 94,153 |
| Bus Loan; 4.49% interest for 5 years | 99,952 |
| Total | <u>\$ 2,388,197</u> |

CASS CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 7 - LONG-TERM DEBT (continued):

The annual requirements to amortize long-term debt outstanding as of June 30, 2008 are as follows:

| <u>YEAR ENDED JUNE 30,</u> | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>TOTAL</u> |
|----------------------------------|---------------------|-------------------|---------------------|
| 2009 | \$ 829,462 | \$ 89,932 | \$ 919,394 |
| 2010 | 149,119 | 57,647 | 206,766 |
| 2011 | 141,254 | 47,947 | 189,201 |
| 2012 | 146,598 | 42,602 | 189,200 |
| 2013 | 104,325 | 37,020 | 141,345 |
| 2014-2018 | 431,828 | 127,810 | 559,638 |
| 2019-2023 | 369,289 | 31,280 | 400,569 |
| Accumulated Compensated Absences | 216,322 | - | 216,322 |
| TOTAL | \$ 2,388,197 | \$ 434,238 | \$ 2,822,435 |

An amount of \$344,171 is available in the debt service fund to service the general obligation debt.

Interest expense (all funds) for the year ended June 30, 2008 was \$126,622.

NOTE 8 - OPERATING LEASES:

The School District entered into a 5-year lease agreement with Capital Advantage Leasing for the lease of new copy machines and printers. At June 30, 2008, future lease payments under such leases are as follows:

| | |
|---------------|----------|
| June 30, 2009 | \$22,764 |
| June 30, 2010 | 22,764 |
| June 30, 2011 | 22,764 |
| June 30, 2012 | 17,073 |

NOTE 9 - CAPITAL ASSETS:

A summary of changes in the District's capital assets follows.

| | <u>BALANCE</u> <u>July 1, 2007</u> | <u>ADDITIONS</u> | <u>DELETIONS</u> | <u>BALANCE</u> <u>June 30, 2008</u> |
|-------------------------------------|---------------------------------------|---------------------|------------------|--|
| Assets not being depreciated - land | \$ 134,775 | | | \$ 134,775 |
| Other capital assets: | | | | |
| Land improvements | 224,076 | | | 224,076 |
| Building and additions | 11,840,033 | | | 11,840,033 |
| Machinery and equipment | 1,566,244 | \$ 104,237 | | 1,670,481 |
| Transportation equipment | 1,001,028 | | | 1,001,028 |
| Subtotal | 14,631,381 | 104,237 | - | 14,735,618 |
| Accumulated depreciation | (6,424,751) | (405,858) | - | (6,830,609) |
| Net other capital assets: | 8,206,630 | (301,621) | - | 7,905,009 |
| Net capital assets | <u>\$8,341,405</u> | <u>\$ (301,621)</u> | <u>\$ -</u> | <u>\$ 8,039,784</u> |

Depreciation for the fiscal year ended June 30, 2008 amounted to \$405,858. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

CASS CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 10 – TRANSFERS:

During the current fiscal year the general fund transferred \$160,000 to the athletic fund. The transfer was to subsidize operations.

NOTE 11 - CONTINGENCY:

The District has been named as a defendant in two separate lawsuits initiated by a former employee and by the Cass City Educational Association. The claims asserted are violations of equal employment opportunity and civil rights. The cases are currently pending. The cases are being defended on behalf of the School District. Attorneys for the School District indicate that at this time there is no back pay liability and they have estimated hearing and arbitration fees to be between \$23,000 and \$35,000.

NOTE 12 – STATE AID ANTICIPATION NOTE:

At June 30, 2008, the District has a note payable outstanding of \$2,700,000. The note has an interest rate of 2.24% and matures April 24, 2008. The note is secured by the full faith and credit of the District as well as pledged state aid.

| <u>Balance</u> <u>June 30, 2007</u> | <u>Additions</u> | <u>Payments</u> | <u>Balance</u> <u>June 30, 2008</u> |
|--|---------------------|---------------------|--|
| <u>\$ 2,450,000</u> | <u>\$ 2,700,000</u> | <u>\$ 2,450,000</u> | <u>\$ 2,700,000</u> |

NOTE 13 – SUBSEQUENT EVENT – SALE OF BONDS:

The school district sold \$6,900,000 in bonds in July 2008. The bonds will finance repairs and improvements to the existing facilities of the school district

REQUIRED SUPPLEMENTARY INFORMATION

CASS CITY PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2008

| | <u>BUDGET</u> | | | <u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u> |
|--|-------------------|---------------------|-------------------|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | |
| REVENUES: | | | | |
| Local sources | \$ 1,017,053 | \$ 1,014,383 | \$ 1,010,406 | \$ (3,977) |
| State source | 9,522,409 | 9,528,260 | 9,455,513 | (72,747) |
| Federal sources | 345,224 | 390,861 | 389,848 | (1,013) |
| Other transactions: | | | | |
| Transfers from other districts | 10,000 | 43,316 | 49,591 | 6,275 |
| Sale of school property | 4,672 | 1,728 | 1,728 | - |
| TOTAL REVENUES | <u>10,899,358</u> | <u>10,978,548</u> | <u>10,907,086</u> | <u>(71,462)</u> |
| EXPENDITURES: | | | | |
| Instruction | 7,302,117 | 7,100,237 | 7,137,833 | (37,596) |
| Supporting services | 3,033,085 | 3,052,252 | 2,973,127 | 79,125 |
| Community services | 3,250 | 15,474 | 15,474 | - |
| TOTAL EXPENDITURES | <u>10,338,452</u> | <u>10,167,963</u> | <u>10,126,434</u> | <u>41,529</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>560,906</u> | <u>810,585</u> | <u>780,652</u> | <u>(29,933)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Loan proceeds | 94,153 | 94,153 | 94,153 | - |
| Proceeds from Bus Loan | - | - | - | - |
| Principal payments | (55,803) | (55,803) | (90,683) | (34,880) |
| Interest payments | (49,344) | (49,344) | (55,231) | (5,887) |
| Transfer to Athletic fund | (160,000) | (160,000) | (160,000) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(170,994)</u> | <u>(170,994)</u> | <u>(211,761)</u> | <u>(40,767)</u> |
| EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES) | <u>389,912</u> | <u>639,591</u> | <u>568,891</u> | <u>(70,700)</u> |
| FUND BALANCE (DEFICIT) - BEGINNING OF YEAR | <u>381,543</u> | <u>381,543</u> | <u>381,543</u> | <u>-</u> |
| FUND BALANCE (DEFICIT) - END OF YEAR | <u>\$ 771,455</u> | <u>\$ 1,021,134</u> | <u>\$ 950,434</u> | <u>\$ (70,700)</u> |

See the accompanying notes.

ADDITIONAL INFORMATION

CASS CITY PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
June 30, 2008

| | <u>GOVERNMENTAL FUND TYPES</u> | <u>TOTAL</u> |
|--|--------------------------------|------------------|
| | <u>SPECIAL REVENUE</u> | <u>2008</u> |
| <u>ASSETS</u> | | |
| CURRENT ASSETS: | | |
| Cash | \$ 52,003 | \$ 52,003 |
| Accounts receivable | 7,173 | 7,173 |
| Due from other funds | - | - |
| TOTAL ASSETS | \$ 59,176 | \$ 59,176 |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| LIABILITIES: | | |
| Accounts Payable | \$ - | \$ - |
| Due to other funds | 5,265 | 5,265 |
| TOTAL LIABILITIES | 5,265 | 5,265 |
| FUND BALANCE: | | |
| Unreserved | 53,911 | 53,911 |
| TOTAL FUND BALANCE | 53,911 | 53,911 |
| TOTAL LIABILITIES & FUND BALANCE | \$ 59,176 | \$ 59,176 |

See the accompanying notes.

CASS CITY PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2008

| | <u>GOVERNMENTAL FUND TYPES</u> | <u>TOTAL</u> |
|--|--------------------------------|------------------|
| | <u>SPECIAL REVENUE</u> | <u>2008</u> |
| REVENUES: | | |
| Local sources | | |
| Property Tax | | - |
| Interest Income | \$ 2,269 | \$ 2,269 |
| Food sales and athletic admissions | 251,048 | 251,048 |
| Other | | - |
| State sources | 31,970 | 31,970 |
| Federal sources | 306,106 | 306,106 |
| TOTAL REVENUES | <u>591,393</u> | <u>591,393</u> |
| EXPENDITURES: | | |
| Food services | 529,432 | 529,432 |
| Athletics | 201,293 | 201,293 |
| TOTAL EXPENDITURES | 730,725 | 730,725 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(139,332)</u> | <u>(139,332)</u> |
| OTHER FINANCING SOURCES (USES): | | |
| Transfer from General Fund | 160,000 | 160,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | 160,000 | 160,000 |
| EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES) | <u>20,668</u> | <u>20,668</u> |
| FUND BALANCE (DEFICIT) - BEGINNING OF YEAR | <u>33,243</u> | <u>33,243</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 53,911</u> | <u>\$ 53,911</u> |

See the accompanying notes.

CASS CITY PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER
FINANCING SOURCES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2008

| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE- FAVORABLE (UNFAVORABLE)</u> |
|---|----------------------|----------------------|--|
| REVENUE FROM LOCAL SOURCES: | | | |
| Property Tax | \$ 887,911 | \$ 887,911 | \$ - |
| Interest income | 68,373 | 68,673 | 300 |
| Tuition and fees | - | - | - |
| Rental of building | 13,219 | 13,219 | - |
| Daycare | 9,798 | 9,798 | - |
| Other | 35,082 | 30,805 | (4,277) |
| TOTAL REVENUE FROM LOCAL SOURCES | <u>1,014,383</u> | <u>1,010,406</u> | <u>(3,977)</u> |
| REVENUE FROM STATE SOURCES: | | | |
| State aid | 9,515,753 | 9,443,006 | (72,747) |
| Durant funds | 12,507 | 12,507 | - |
| TOTAL REVENUE FROM STATE SOURCES | <u>9,528,260</u> | <u>9,455,513</u> | <u>(72,747)</u> |
| REVENUE FROM FEDERAL SOURCES: | | | |
| Title I | 285,165 | 285,165 | - |
| Class Size Reduction Program | 96,170 | 96,170 | - |
| Homeland Security | - | - | - |
| Other | 9,526 | 8,513 | (1,013) |
| TOTAL REVENUE FROM FEDERAL SOURCES | <u>390,861</u> | <u>389,848</u> | <u>(1,013)</u> |
| OTHER FINANCING SOURCES: | | | |
| Transfers from Other Districts | 43,316 | 49,591 | 6,275 |
| Loan Proceeds | 94,153 | 94,153 | - |
| Proceeds from Bus Loan | - | - | - |
| Sale of School Property | 1,728 | 1,728 | - |
| TOTAL OTHER FINANCING SOURCES: | <u>139,197</u> | <u>145,472</u> | <u>6,275</u> |
| TOTAL REVENUES | <u>\$ 11,072,701</u> | <u>\$ 11,001,239</u> | <u>\$ (71,462)</u> |

See the accompanying notes.

CASS CITY PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING USES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2008

| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE- FAVORABLE (UNFAVORABLE)</u> |
|---------------------------------------|------------------|------------------|--|
| INSTRUCTION: | | | |
| Basic Programs: | | | |
| Elementary: | | | |
| Salaries - teachers | \$ 1,182,906 | \$ 1,182,906 | \$ - |
| Salaries - Gesell & Homebound teacher | 130 | 130 | - |
| Salaries - substitute teachers | 19,030 | 19,030 | - |
| Salaries - aides | 52,648 | 52,648 | - |
| Travel | 6,675 | 4,058 | 2,617 |
| Teaching supplies & textbooks | 33,591 | 33,480 | 111 |
| Employee benefits | 624,509 | 650,921 | (26,412) |
| Capital outlay | - | - | - |
| Other expenses | 6,710 | 6,710 | - |
| Total Elementary | <u>1,926,199</u> | <u>1,949,883</u> | <u>(23,684)</u> |
| Middle/Junior High: | | | |
| Salaries - teachers | 1,131,148 | 1,126,970 | 4,178 |
| Salaries - substitute teachers | 14,556 | 14,556 | - |
| Salaries - aides | 9,978 | 9,978 | - |
| Salaries - Homebound teachers | - | - | - |
| Teaching supplies & textbooks | 23,748 | 21,361 | 2,387 |
| Employee benefits | 636,082 | 657,439 | (21,357) |
| Capital outlay | - | - | - |
| Travel | 5,360 | 5,360 | - |
| Other expenses | 721 | 721 | - |
| Total Middle/Junior High | <u>1,821,593</u> | <u>1,836,385</u> | <u>(14,792)</u> |
| High School: | | | |
| Salaries - teachers | 1,186,691 | 1,116,267 | 70,424 |
| Salaries - substitute teachers | 13,279 | 13,279 | - |
| Salaries - Homebound teachers | - | - | - |
| Salaries - drivers education | - | - | - |
| Teaching supplies & textbooks | 71,675 | 71,252 | 423 |
| Travel | 20,838 | 20,838 | - |
| Drivers education supplies | - | - | - |
| Employee benefits | 601,768 | 615,664 | (13,896) |
| Capital outlay | - | - | - |
| Purchased services | - | - | - |
| Other expenses | 718 | 443 | 275 |
| Total High School | <u>1,894,969</u> | <u>1,837,743</u> | <u>57,226</u> |

CASS CITY PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING USES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2008

| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE- FAVORABLE (UNFAVORABLE)</u> |
|--------------------------------|----------------|----------------|--|
| INSTRUCTION, (Continued): | | | |
| Added Needs: | | | |
| Special Education: | | | |
| Salaries - Director | - | - | - |
| Salaries - teachers | \$ 457,681 | \$ 457,681 | \$ - |
| Salaries - teachers aides | 51,694 | 43,855 | 7,839 |
| Teaching supplies & textbooks | 3,906 | 3,565 | 341 |
| Travel | 1,469 | 1,469 | - |
| Payments to I.S.D. | 59,527 | 59,527 | - |
| Other expenses | (125) | 150 | (275) |
| Employee benefits | 211,248 | 205,069 | 6,179 |
| Total Special Education | <u>785,400</u> | <u>771,316</u> | <u>14,084</u> |
| Compensatory Education: | | | |
| Salaries - directors | 21,975 | 21,975 | - |
| Salaries - teachers | 122,118 | 118,617 | 3,501 |
| Salaries - teachers aides | 113,186 | 113,186 | - |
| Salaries - teachers sub | 4,647 | 4,647 | - |
| Teaching supplies | 3,195 | 3,195 | - |
| Audit | 1,000 | 1,000 | - |
| Capital outlay | - | - | - |
| Travel, workshop & conferences | 7,046 | 7,046 | - |
| Employee benefits | 85,555 | 84,831 | 724 |
| Total Compensatory Education | <u>358,722</u> | <u>354,497</u> | <u>4,225</u> |
| Title II: | | | |
| Salaries | 15,667 | 15,667 | - |
| Employee benefits | 20,566 | 20,566 | - |
| Purchased Service | 22,877 | 21,402 | 1,475 |
| Teaching Supplies | 2,812 | 2,812 | - |
| Capital Outlay | - | - | - |
| Total Title II | <u>61,922</u> | <u>60,447</u> | <u>1,475</u> |
| Drug Free schools | <u>1,340</u> | <u>1,340</u> | <u>-</u> |
| Summer School: | | | |
| Salaries-Aides | 2,214 | 2,214 | - |
| Employee benefits | 539 | 539 | - |
| Total Summer School | <u>2,753</u> | <u>2,753</u> | <u>-</u> |

CASS CITY PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING USES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2008

| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE- FAVORABLE (UNFAVORABLE)</u> |
|-------------------------------|------------------|------------------|--|
| INSTRUCTION, (Continued): | | | |
| Added Needs, (Continued): | | | |
| At-Risk: | | | |
| Salaries - teachers | \$ 94,983 | \$ 174,089 | \$ (79,126) |
| Employee benefits | 51,141 | 62,318 | (11,177) |
| Purchased service | 19,081 | 19,081 | - |
| Capital Outlay | - | - | - |
| Teaching supplies | - | - | - |
| Miscellaneous | - | - | - |
| Total At-Risk | <u>165,165</u> | <u>255,468</u> | <u>(90,303)</u> |
| Early Childhood Program: | | | |
| Administrative support | - | - | - |
| Salaries - teachers | 40,575 | 31,872 | 8,703 |
| Salaries - bus drivers | - | - | - |
| Salaries - aides | 12,683 | 12,683 | - |
| Salaries - clerical | - | - | - |
| Travel & conference | 273 | 273 | - |
| Supplies & other costs | (60) | - | (60) |
| Employee benefits | 26,930 | 21,482 | 5,448 |
| Other expenses | 1,773 | 1,691 | 82 |
| Total Early Childhood Program | <u>82,174</u> | <u>68,001</u> | <u>14,173</u> |
| TOTAL INSTRUCTION | <u>7,100,237</u> | <u>7,137,833</u> | <u>(37,596)</u> |

CASS CITY PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING USES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2008

| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE- FAVORABLE (UNFAVORABLE)</u> |
|--------------------------------|----------------|----------------|--|
| SUPPORTING SERVICES: | | | |
| Pupil Services: | | | |
| Guidance Services: | | | |
| Salaries - counselors | \$ 65,655 | \$ 65,655 | \$ - |
| Salaries-clerical | 23,161 | 23,161 | - |
| Supplies & other costs | 3,587 | 3,587 | - |
| Travel | 279 | 279 | - |
| Employee benefits | 43,518 | 43,518 | - |
| Capital outlay | - | - | - |
| Total Guidance Services | <u>136,200</u> | <u>136,200</u> | <u>-</u> |
| Health Services: | | | |
| Salary - nurse | 32,984 | 32,984 | - |
| Employee benefits | 9,589 | 9,582 | 7 |
| Local travel | 69 | 69 | - |
| Supplies & other cost | 1,969 | 1,948 | 21 |
| Capital outlay | - | - | - |
| Total Health Services | <u>44,611</u> | <u>44,583</u> | <u>28</u> |
| Social Worker: | | | |
| Salaries | - | - | - |
| Travel | 128 | 128 | - |
| Supplies & other cost | - | - | - |
| Employee benefits | 690 | 690 | - |
| Total Social Worker | <u>818</u> | <u>818</u> | <u>-</u> |
| Crossing Guards: | | | |
| Salaries | 7,713 | 7,622 | 91 |
| Employee benefits | 1,927 | 1,927 | - |
| Supplies | - | - | - |
| Total Crossing Guards | <u>9,640</u> | <u>9,549</u> | <u>91</u> |

CASS CITY PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING USES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2008

| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE- FAVORABLE (UNFAVORABLE)</u> |
|-----------------------------------|----------------|----------------|--|
| SUPPORTING SERVICES, (Continued): | | | |
| Pupil Services, (Continued): | | | |
| Library and A-V: | | | |
| Salaries - librarians | \$ 70,481 | \$ 70,481 | \$ - |
| Salaries - aides | 27,063 | 27,063 | - |
| Library books | 6,888 | 6,888 | - |
| Periodicals | 2,566 | 2,566 | - |
| Miscellaneous supplies | 3,228 | 3,228 | - |
| Capital outlay | - | - | - |
| Employee benefits | 55,244 | 50,176 | 5,068 |
| Total Library and A-V | <u>165,470</u> | <u>160,402</u> | <u>5,068</u> |
| Computer Technology | | | |
| Salaries - teachers | 80,583 | 80,583 | - |
| Salaries - aides | - | - | - |
| Salaries - custodial | - | - | - |
| Supplies & other costs | 78,132 | 77,643 | 489 |
| Contract services | 16,598 | 16,598 | - |
| Employee benefits | 51,335 | 51,335 | - |
| Lease payments | - | - | - |
| Capital outlay | 145,398 | 132,486 | 12,912 |
| Total Computer Technology | <u>372,046</u> | <u>358,645</u> | <u>13,401</u> |
| General Administration: | | | |
| Board of Education: | | | |
| Salaries | - | - | - |
| Travel | 170 | 170 | - |
| Supplies & other cost | 338 | 338 | - |
| Other expenses | 22,738 | 22,738 | - |
| Total Board of Education | <u>23,246</u> | <u>23,246</u> | <u>0</u> |

**CASS CITY PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING USES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2008**

| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE- FAVORABLE (UNFAVORABLE)</u> |
|---------------------------------------|----------------|----------------|--|
| SUPPORTING SERVICES, (Continued): | | | |
| Pupil Services, (Continued): | | | |
| Executive Administration: | | | |
| Salaries - superintendent | \$ 110,000 | \$ 110,000 | \$ - |
| Salaries - clerical | 14,240 | 14,240 | - |
| Personnel services | 129,538 | 129,538 | - |
| Audit and legal services | 13,003 | 13,003 | - |
| Elections | 3,212 | 3,212 | - |
| Travel, conference & workshops | 11,029 | 10,805 | 224 |
| Telephone | 963 | 963 | - |
| Advertising | 4,389 | 4,389 | - |
| Printing & publishing | 89 | 89 | - |
| Office Supplies | 4,136 | 3,991 | 145 |
| Supplies & other cost | 5,822 | 5,645 | 177 |
| Employee benefits | 69,121 | 64,121 | 5,000 |
| Capital outlay | 846 | 846 | - |
| Total Executive Administration | <u>366,388</u> | <u>360,842</u> | <u>5,546</u> |
| School Administration: | | | |
| Salaries - principals | 247,335 | 247,334 | 1 |
| Salaries - clerical | 102,820 | 102,820 | - |
| Employee benefits | 176,864 | 176,709 | 155 |
| Travel, conferences & workshop | 2,024 | 2,004 | 20 |
| Telephone | - | - | - |
| Supplies & other costs | 5,897 | 5,724 | 173 |
| Agri-valley connection | - | - | - |
| Capital outlay | - | - | - |
| Contract service | 21,055 | 21,055 | - |
| Other expenses | 4,285 | 4,639 | (354) |
| Total School Administration | <u>560,280</u> | <u>560,285</u> | <u>(5)</u> |
| Business Administration: | | | |
| Fiscal Services: | | | |
| Contracted services - data processing | <u>8,726</u> | <u>8,726</u> | <u>-</u> |
| Total Fiscal Services | <u>8,726</u> | <u>8,726</u> | <u>-</u> |

CASS CITY PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING USES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2008

| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE- FAVORABLE (UNFAVORABLE)</u> |
|---|------------------|------------------|--|
| SUPPORTING SERVICES, (Continued): | | | |
| Pupil Services, (Continued): | | | |
| Operations & Maintenance of Plant: | | | |
| Salaries - supervisors | \$ 80,058 | \$ 80,058 | \$ - |
| Salaries - custodians | 182,789 | 182,789 | - |
| Salaries - temporary help | 3,460 | 3,460 | - |
| Heating fuel | 127,597 | 127,597 | - |
| Electricity | 101,627 | 101,627 | - |
| Water & sewage | 14,550 | 14,550 | - |
| Trash disposal | 5,622 | 5,622 | - |
| Contracted services | 50,990 | 50,991 | (1) |
| Rental equipment | 23,177 | 23,177 | - |
| Supplies & other costs | 34,895 | 33,113 | 1,782 |
| Other expenses | 2,158 | 2,158 | - |
| Capital outlay | 4,215 | 4,215 | - |
| Employee benefits | 164,437 | 164,437 | - |
| | <u>795,575</u> | <u>793,794</u> | <u>1,781</u> |
| Total Operations & Maintenance of Plant | | | |
| Pupil Transportation: | | | |
| Salaries - supervisor | 27,345 | 27,345 | - |
| Salaries - clerical | - | - | - |
| Salaries - drivers | 141,535 | 141,535 | - |
| Salary - bus mechanic | 22,394 | 22,394 | - |
| Insurance | 9,441 | 9,441 | - |
| Gas, oil & grease | 79,932 | 79,832 | 100 |
| Tires, tubes & batteries | - | - | - |
| Travel | 719 | 719 | - |
| Vehicle repairs | 26,054 | 25,715 | 339 |
| Building repairs | 453 | 447 | 6 |
| Miscellaneous expense | 7,861 | 7,861 | - |
| Capital outlay - vehicles | 27,854 | - | 27,854 |
| Employee benefits | 72,893 | 72,893 | - |
| Other expenses | 1,090 | 730 | 360 |
| | <u>417,571</u> | <u>388,912</u> | <u>28,659</u> |
| Total Pupil Transportation | | | |
| Fixed Charges: | | | |
| Building insurance | 26,615 | 26,615 | - |
| Student liability insurance | 1,470 | 1,470 | - |
| Employee benefits | 15,052 | 15,052 | - |
| Tax abatement | 19,854 | - | 19,854 |
| Interest expense | 88,690 | 83,988 | 4,702 |
| | <u>151,681</u> | <u>127,125</u> | <u>24,556</u> |
| Total Fixed Charges | | | |
| TOTAL SUPPORTING SERVICES | <u>3,052,252</u> | <u>2,973,127</u> | <u>79,125</u> |

CASS CITY PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER
FINANCING USES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2008

| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE- FAVORABLE (UNFAVORABLE)</u> |
|--|----------------------|----------------------|--|
| COMMUNITY SERVICES: | | | |
| Daycare | | | |
| Salary | \$ 10,311 | \$ 10,311 | \$ - |
| Employee benefits | 2,513 | 2,513 | - |
| Supplies & other costs | 2,650 | 2,650 | - |
| Total Daycare | <u>15,474</u> | <u>15,474</u> | <u>-</u> |
| TOTAL COMMUNITY SERVICES: | <u>15,474</u> | <u>15,474</u> | <u>-</u> |
| TOTAL EXPENDITURES | 10,167,963 | 10,126,434 | 41,529 |
| OTHER FINANCING USES: | | | |
| Operating transfer - Athletic Fund & Hot Lunch | 160,000 | 160,000 | - |
| Principal payments | 55,803 | 90,683 | (34,880) |
| Interest payments | 49,344 | 55,231 | (5,887) |
| OTHER FINANCING USES: | 265,147 | 305,914 | (40,767) |
| TOTAL EXPENDITURES & OTHER FINANCING USES | <u>\$ 10,433,110</u> | <u>\$ 10,432,348</u> | <u>\$ 762</u> |

See the accompanying notes.

CASS CITY PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2008

| | <u>FOOD SERVICES</u> | <u>ATHLETICS</u> | <u>COMBINED</u> |
|--|--------------------------|-------------------------|-------------------------|
| <u>ASSETS</u> | | | |
| Cash in bank | \$ 40,478 | \$ 11,525 | \$ 52,003 |
| Accounts receivable | 7,173 | | 7,173 |
| Due from other funds | - | | - |
| | <hr/> | <hr/> | <hr/> |
| TOTAL ASSETS | <u>\$ 47,651</u> | <u>\$ 11,525</u> | <u>\$ 59,176</u> |
| <u>LIABILITIES & FUND BALANCE</u> | | | |
| Accounts payable | \$ - | | \$ - |
| Due to other funds | 5,265 | | 5,265 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL LIABILITIES | 5,265 | - | 5,265 |
| FUND BALANCE | 42,386 | \$ 11,525 | 53,911 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL LIABILITIES & FUND BALANCE | <u>\$ 47,651</u> | <u>\$ 11,525</u> | <u>\$ 59,176</u> |

See the accompanying notes.

**CASS CITY PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2008**

| | <u>FOOD SERVICES</u> | <u>ATHLETICS</u> | <u>COMBINED</u> | <u>COMBINED BUDGET</u> | <u>VARIANCE FAVORABLE (UNFAVORABLE)</u> |
|---|--------------------------|------------------|------------------|----------------------------|---|
| REVENUES: | | | | | |
| Local Sources: | | | | | |
| Sale of meals & milk | \$ 180,734 | | \$ 180,734 | \$ 206,658 | \$ (25,924) |
| Admissions | | \$ 40,577 | 40,577 | 45,520 | (4,943) |
| Interest | 1,081 | 1,188 | 2,269 | 962 | 1,307 |
| Sale of supplies | | | - | - | - |
| Other | 29,737 | - | 29,737 | 31,131 | (1,394) |
| Total Local Sources | <u>211,552</u> | <u>41,765</u> | <u>253,317</u> | <u>284,271</u> | <u>(30,954)</u> |
| State Sources: | | | | | |
| State Lunch Aid | 31,970 | | 31,970 | 34,860 | (2,890) |
| Other | - | - | - | - | - |
| Total State Sources | <u>31,970</u> | <u>-</u> | <u>31,970</u> | <u>34,860</u> | <u>(2,890)</u> |
| Federal Sources: | | | | | |
| National School Lunch Program | 267,310 | | 267,310 | 255,258 | 12,052 |
| USDA Commodities | 38,796 | | 38,796 | 31,419 | 7,377 |
| Total Federal Sources | <u>306,106</u> | <u>-</u> | <u>306,106</u> | <u>286,677</u> | <u>19,429</u> |
| TOTAL REVENUE | <u>549,628</u> | <u>41,765</u> | <u>591,393</u> | <u>605,808</u> | <u>(14,415)</u> |
| EXPENDITURES: | | | | | |
| School Service Activities: | | | | | |
| Salaries & wages | 145,556 | 129,651 | 275,207 | 287,406 | 12,199 |
| Employee benefits | 56,249 | 26,955 | 83,204 | 95,919 | 12,715 |
| Food & milk | 283,921 | | 283,921 | 281,509 | (2,412) |
| Supplies & Other Costs | 43,706 | 32,800 | 76,506 | 83,377 | 6,871 |
| Capital Outlay | - | 11,887 | 11,887 | 11,493 | (394) |
| TOTAL EXPENDITURES | <u>529,432</u> | <u>201,293</u> | <u>730,725</u> | <u>759,704</u> | <u>28,979</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>20,196</u> | <u>(159,528)</u> | <u>(139,332)</u> | <u>(153,896)</u> | <u>14,564</u> |
| OTHER FINANCING SOURCES: | | | | | |
| Transfers from General Fund | - | 160,000 | 160,000 | 160,000 | 0 |
| EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES | <u>20,196</u> | <u>472</u> | <u>20,668</u> | <u>\$ 6,104</u> | <u>\$ 14,564</u> |
| FUND BALANCE (DEFICIT) - JULY 1 | <u>22,190</u> | <u>11,053</u> | <u>33,243</u> | | |
| FUND BALANCE - JUNE 30 | <u>\$ 42,386</u> | <u>\$ 11,525</u> | <u>\$ 53,911</u> | | |

See the accompanying notes.

CASS CITY PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
June 30, 2008

| | <u>1996 DEBT SERVICE</u> | <u>DURANT DEBT SERVICE</u> | <u>TOTAL DEBT SERVICE</u> |
|--|----------------------------------|------------------------------------|-----------------------------------|
| <u>ASSETS</u> | | | |
| Cash in bank | \$ 344,171 | \$ - | \$ 344,171 |
| Accounts receivable | - | - | - |
| Due from other funds | - | - | - |
| <u>TOTAL ASSETS</u> | <u>\$ 344,171</u> | <u>\$ -</u> | <u>\$ 344,171</u> |
| <u>LIABILITIES & FUND BALANCE</u> | | | |
| Reserved for debt service | \$ 344,171 | \$ - | \$ 344,171 |
| <u>TOTAL LIABILITIES & FUND BALANCE</u> | <u>\$ 344,171</u> | <u>\$ -</u> | <u>\$ 344,171</u> |

See the accompanying notes.

CASS CITY PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008

| | <u>1998 DEBT SERVICE</u> | <u>DURANT DEBT SERVICE</u> | <u>TOTAL DEBT SERVICE</u> |
|--|----------------------------------|------------------------------------|-----------------------------------|
| REVENUES FROM LOCAL SOURCES: | | | |
| Local Sources: | | | |
| Current tax levy | \$ 729,198 | | \$ 729,198 |
| Interest on investments | 13,638 | | 13,638 |
| | <u>742,836</u> | | <u>742,836</u> |
| Total Local Sources | 742,836 | | 742,836 |
| State Sources | | - | - |
| TOTAL REVENUES | <u>742,836</u> | <u>-</u> | <u>742,836</u> |
| EXPENDITURES: | | | |
| Bond principal | 640,000 | - | 640,000 |
| Bond interest | 63,360 | - | 63,360 |
| Other bond costs | - | - | - |
| | <u>703,360</u> | <u>-</u> | <u>703,360</u> |
| TOTAL EXPENDITURES | <u>703,360</u> | <u>-</u> | <u>703,360</u> |
| EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES | 39,476 | | 39,476 |
| FUND BALANCE - JULY 1 | <u>304,695</u> | <u>-</u> | <u>304,695</u> |
| FUND BALANCE - JUNE 30 | <u>\$ 344,171</u> | <u>\$ -</u> | <u>\$ 344,171</u> |

See the accompanying notes.

CASS CITY PUBLIC SCHOOLS
PRIVATE-PURPOSE TRUST AND AGENCY FUNDS
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2008

| | <u>BALANCE JUNE 30, 2007</u> | <u>CASH RECEIPTS</u> | <u>CASH DISBURSEMENTS</u> | <u>BALANCE JUNE 30, 2008</u> |
|-----------------------------------|--------------------------------------|--------------------------|-------------------------------|--------------------------------------|
| AGENCY FUNDS | | | | |
| ELEMENTARY SCHOOLS: | | | | |
| Campbell | <u>\$ 12,798</u> | <u>\$ 46,329</u> | <u>\$ 37,522</u> | <u>\$ 21,605</u> |
| TOTAL ELEMENTARY SCHOOLS | <u>12,798</u> | <u>46,329</u> | <u>37,522</u> | <u>21,605</u> |
| HIGH SCHOOL & MIDDLE SCHOOL: | | | | |
| High School | <u>43,955</u> | <u>97,246</u> | <u>106,336</u> | <u>34,865</u> |
| Middle School | <u>40,465</u> | <u>171,272</u> | <u>171,486</u> | <u>40,251</u> |
| TOTAL HIGH SCHOOL & MIDDLE SCHOOL | <u>84,420</u> | <u>268,518</u> | <u>277,822</u> | <u>75,116</u> |
| TOTAL AGENCY FUNDS | <u>\$ 97,218</u> | <u>\$ 314,847</u> | <u>\$ 315,344</u> | <u>\$ 96,721</u> |
| GENERAL FUND: | | | | |
| Office accounts | <u>\$ 18,310</u> | <u>\$ 256</u> | <u>\$ 18,566</u> | <u>\$ -</u> |

See the accompanying notes.

CASS CITY PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT
1996 DEBT RETIREMENT FUND
June 30, 2008

Purpose of Issue: Erecting, furnishing and equipping a new middle school building.

| <u>DUE DATE</u> | <u>PRINCIPAL</u> | <u>RATES</u> | <u>INTEREST DUE</u> | <u>PAYMENT DUE</u> |
|---------------------|-------------------|--------------|-------------------------|------------------------|
| 11/1/2008 | | | \$ 16,000 | \$ 16,000 |
| 5/1/2009 | <u>\$ 640,000</u> | 5.00 | <u>16,000</u> | <u>656,000</u> |
| TOTAL | <u>\$ 640,000</u> | | <u>\$ 32,000</u> | <u>\$ 672,000</u> |

The bonds are not subject to optional redemption prior to maturity.

See the accompanying notes.

CASS CITY PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT - DURANT BONDS
June 30, 2008

\$125,068 Durant Bond issued November 24, 1998:

| PRINCIPAL DUE MAY 15 | INTEREST DUE MAY 15 | DEBT SERVICE REQUIREMENT FOR FISCAL YEAR | |
|-------------------------|------------------------|---|------------------|
| | | JUNE 30 | AMOUNT |
| \$ 6,960 | \$ 1,822 | 2009 | \$ 8,782 |
| 20,276 | 6,071 | 2010 | 26,347 |
| 7,639 | 1,144 | 2011 | 8,783 |
| 8,002 | 780 | 2012 | 8,782 |
| 8,383 | 399 | 2013 | 8,782 |
| <u>\$ 51,260</u> | <u>\$ 10,216</u> | | <u>\$ 61,476</u> |

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to the existing school buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

See the accompanying notes.

CASS CITY PUBLIC SCHOOLS
SCHEDULE OF PAYMENTS ON ENERGY PROGRAM LOAN
June 30, 2008

| DUE DATE | PRINCIPAL DUE | INTEREST DUE | DEBT SERVICE REQUIREMENT FOR FISCAL YEAR | |
|-----------|---------------------|-------------------|---|------------------|
| | | | AMOUNT | |
| 10/4/2008 | \$ 29,826 | \$ 23,790 | \$ | 53,616 |
| 4/4/2009 | 32,252 | 23,171 | | 55,423 |
| 10/4/2009 | 32,922 | 22,502 | | 55,424 |
| 4/4/2010 | 33,605 | 21,819 | | 55,424 |
| 10/4/2010 | 34,302 | 21,122 | | 55,424 |
| 4/4/2011 | 35,014 | 20,410 | | 55,424 |
| 10/4/2011 | 35,740 | 19,683 | | 55,423 |
| 4/4/2012 | 36,482 | 18,942 | | 55,424 |
| 10/4/2012 | 37,239 | 18,185 | | 55,424 |
| 4/4/2013 | 38,013 | 17,412 | | 55,425 |
| 10/4/2013 | 38,800 | 16,623 | | 55,423 |
| 4/4/2014 | 39,605 | 15,818 | | 55,423 |
| 10/4/2014 | 40,427 | 14,996 | | 55,423 |
| 4/4/2015 | 41,266 | 14,157 | | 55,423 |
| 10/4/2015 | 42,122 | 13,301 | | 55,423 |
| 4/4/2016 | 42,996 | 12,427 | | 55,423 |
| 10/4/2016 | 43,889 | 11,535 | | 55,424 |
| 4/4/2017 | 46,600 | 10,624 | | 57,224 |
| 10/4/2017 | 47,567 | 9,657 | | 57,224 |
| 4/4/2018 | 48,554 | 8,670 | | 57,224 |
| 10/4/2018 | 49,562 | 7,663 | | 57,225 |
| 4/4/2019 | 50,590 | 6,634 | | 57,224 |
| 10/4/2019 | 51,640 | 5,585 | | 57,225 |
| 4/4/2020 | 52,711 | 4,513 | | 57,224 |
| 10/4/2020 | 53,805 | 3,419 | | 57,224 |
| 4/4/2021 | 54,921 | 2,303 | | 57,224 |
| 10/4/2021 | 56,060 | 1,164 | | 57,224 |
| | <u>\$ 1,146,510</u> | <u>\$ 366,125</u> | <u>\$</u> | <u>1,512,635</u> |

The above bond issue bears interest at 4.15%. The bond proceeds were used for purchasing and installation for energy efficient building components.

See the accompanying notes.

CASS CITY PUBLIC SCHOOLS
SCHEDULE OF BUS NOTE PAYMENTS
June 30, 2008

| <u>MATURITY DATE</u> | <u>PRINCIPAL DUE</u> | <u>INTEREST DUE</u> | <u>DEBT SERVICE REQUIREMENT FOR FISCAL YEAR</u> | |
|--------------------------|----------------------|---------------------|---|----------------|
| | | | <u>AMOUNT</u> | |
| 7/19/2008 | \$ 23,367 | \$ 4,488 | \$ | 27,855 |
| 7/19/2009 | 24,416 | 3,439 | | 27,855 |
| 7/19/2010 | 25,512 | 2,342 | | 27,854 |
| 7/19/2011 | 26,657 | 1,197 | | 27,854 |
| | <u>\$ 99,952</u> | <u>\$ 11,466</u> | <u>\$</u> | <u>111,418</u> |

The above bond issue bears interest at 4.49%.
The loan proceeds were used for purchasing new school buses.

See the accompanying notes.

CASS CITY PUBLIC SCHOOL DISTRICT

**ADDITIONAL REPORTS REQUIRED
BY OMB CIRCULAR A-133**

YEAR ENDED JUNE 30, 2008

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Corrective Action Plan

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

August 21, 2008

To the Board of Education
Cass City Public Schools
Cass City, MI 48726

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cass City Public Schools' as of and for the year ended June 30, 2008, which collectively comprise Cass City Public Schools' basic financial statements and have issued our report thereon dated August 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Cass City Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cass City Public Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described as 2008-1 and 2008-2 in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

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COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Cass City Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of Cass City Public Schools in a separate letter dated August 21, 2008.

Cass City Public Schools' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Cass City Public Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of education, management, U.S. Department of Education, Michigan Department of Education and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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Robert L. Tuckey, CPA

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

August 21, 2008

To the Board of Education
Cass City Public Schools
Cass City, MI 48726

COMPLIANCE

We have audited the compliance of Cass City Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2008. Cass City Public Schools' major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Cass City Public Schools' management. Our responsibility is to express an opinion on Cass City Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cass City Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Cass City Public Schools' compliance with those requirements.

In our opinion, Cass City Public Schools complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

INTERNAL CONTROL OVER COMPLIANCE

The management of Cass City Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Cass City Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Cass City Public Schools' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

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A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance to be material weaknesses, as defined above.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cass City Public Schools as of and for the year ended June 30, 2008, and have issued our report thereon dated August 21, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Cass City Public Schools basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CASS CITY PUBLIC SCHOOLS, CASS CITY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ <u>PROGRAM TITLE</u> | FEDERAL CFDA NUMBER | PASS- THROUGH GRANTOR'S NUMBER | AWARD AMOUNT | ACCRUED (DEFERRED) REVENUE 6/30/2007 | (MEMO ONLY) PRIOR YEAR EXPENDITURES | CURRENT YEAR RECEIPTS | CURRENT YEAR EXPENDITURES | ACCRUED (DEFERRED) REVENUE 6/30/2008 |
|---|---------------------------|---|-------------------|---|---|-----------------------------|---------------------------------|---|
| | | | | | | | | |
| U.S. DEPARTMENT OF EDUCATION: Passed through Michigan Dept. of Education: ECIA Title I Title II A Title II A Title V - Part A Technology Literacy Challenge Grant | 84.010 | 081530 0708 | \$ 295,770 | | | \$ 285,165 | \$ 285,165 | \$ - |
| | 84.367 | 080520 0708 | 89,782 | | | 87,644 | 87,644 | - |
| | 84.367 | 070520 0607 | 5,746 | | | 5,746 | 5,746 | - |
| | 84.298 | 080250 0708 | 296 | | | 296 | 296 | - |
| | 84.318 | 084290 0708 | 2,780 | | | 2,780 | 2,780 | - |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | 394,374 | - | - | 381,631 | 381,631 | - |
| TRANSFERS FROM OTHER GOVERNMENTAL UNITS: Tuscola Intermediate School District Tech Prep PeNUT Grant SDFSCA 07-08 | 84.243A | | 2,640 | | | 2,640 | 2,640 | |
| | 84.027A | | 412 | | | 412 | 412 | |
| | 84.186 | | 5,165 | | | 5,165 | 5,165 | |
| | | | 8,217 | | | 8,217 | 8,217 | |
| U.S. DEPARTMENT OF AGRICULTURE: Passed through Michigan Dept. of Education: Bonus Commodities National School Lunch Program Food Distribution Entitlement National School Lunch & Breakfast Program Summer Food Program | 10.565 | | 4,544 | | | 4,544 | 4,544 | |
| | 10.555 | | 210,987 | | | 210,987 | 210,987 | |
| | 10.550 | | 34,252 | | | 34,252 | 34,252 | |
| | 10.553 | | 50,119 | | | 50,119 | 50,119 | |
| | 10.559 | | 6,204 | | | 6,204 | 6,204 | |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | 306,106 | - | - | 306,106 | 306,106 | - |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | | \$ 708,697 | \$ - | \$ - | \$ 695,954 | \$ 695,954 | \$ - |

The accompanying notes are an integral part of this schedule.

CASS CITY PUBLIC SCHOOL DISTRICT, CASS CITY, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 – BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Cass City Public Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciled with the amounts presented in the preparation of the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Title I (CFDA #84.010) and Title II A (CCFDA #84.367) were audited as major programs representing 54.4% of federal expenditures.
2. The threshold for distinguishing Type A and Type B programs was \$300,000. This schedule was prepared on the modified accrual basis of accounting.
3. Management has utilized the Grant Section Auditor's Report (form R7120) in preparing the Schedule of Expenditures of Federal Awards.
4. The amount reported on the Receipt Entitlement Balance Report agrees with this schedule for the USDA donated food commodities.
5. Federal expenditures are reported as revenue in the following funds in the financial statements:

| | |
|---------------------------------|------------------|
| General Fund | \$389,848 |
| Special Revenue Fund | <u>306,106</u> |
| Total per financial statements | <u>\$695,954</u> |
| Total expenditures per the SEFA | <u>\$695,954</u> |

**CASS CITY PUBLIC SCHOOL DISTRICT, CASS CITY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified: ☐ Yes ☒ No
- Significant deficiency(ies) that are not considered to be material weaknesses? ☒ Yes ☐ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: ☐ Yes ☒ No
- Significant deficiency(ies) that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)

84.010
84.367

Name of Federal Program or Cluster

ECIA Title I
Title II A

Dollar threshold used to distinguish between type A and Type B Programs:

\$300,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

CASS CITY PUBLIC SCHOOL DISTRICT, CASS CITY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Section II – Financial Statement Findings

Finding 2008-1 – Significant Deficiency

Criteria:

Effective for the year ended June 30, 2008, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Condition:

After considering the qualifications of the accounting personnel of Cass City Public Schools, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the School District, but they do not have the qualifications and abilities to generate financial statements, including required footnotes, in accordance with accounting principles generally accepted in the United States of America.

Cause:

The staff of the district does understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

Effect:

We assist management with the external financial reporting responsibility to ensure their financial statements are accurate.

Recommendation:

We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a material weakness as defined in Statement on Auditing Standards #112.

Client Response:

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.

**CASS CITY PUBLIC SCHOOL DISTRICT, CASS CITY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Section II – Financial Statement Findings

Finding 2008-2 –Significant Deficiency

Criteria:

Statement on Auditing Standards #112 titled Communicating Internal Control Related matters Identified in an Audit (issued May 2006), requires us to communicate in writing when a client has a small staff that limits the segregation of duties.

Condition:

Due to the limited number of staff, many critical duties are combined and given to the available staff and/or board members.

Context:

Internal controls are weakened due to the lack of segregation of duties.

Effect:

Other staff members and/or board members must be utilized in order to achieve good internal controls.

Cause:

The district doesn't have enough staff in the business office to have a proper segregation of duties.

Recommendation:

At this time, we recommend the district segregate the duties whenever possible and communicate this as required by professional standards. The correct process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

Section III – Federal Award Findings and Questioned Costs

None.

**CASS CITY PUBLIC SCHOOL DISTRICT, CASS CITY, MICHIGAN
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

Section II – Financial Statement Findings

Findings considered material weaknesses

Finding 2007-1

Criteria:

Effective for the year ended June 30, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Condition:

After considering the qualifications of the accounting personnel of Cass City Public Schools, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the School District, but they do not have the qualifications and abilities to generate financial statements, including required footnotes, in accordance with accounting principles generally accepted in the United States of America.

Cause:

The staff of the district does understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

Effect:

We assist management with the external financial reporting responsibility to ensure their financial statements are accurate.

Recommendation:

We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a material weakness as defined in Statement on Auditing Standards #112.

Client Response: We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years

Section III – Federal Award Findings and Questioned Costs

None

**CASS CITY PUBLIC SCHOOL DISTRICT, CASS CITY, MICHIGAN
CORRECTIVE ACTION PLAN
AUGUST 21, 2008**

Cass City Public School District respectfully submits the following corrective action plan for the year ended June 30, 2008.

Auditor: Anderson, Tuckey, Bernhardt & Doran, PC
715 E Frank St
Caro, MI 48723

Audit Period: Year ended June 30, 2008

The findings from the June 30, 2008 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Finding – Financial statement audit

Significant deficiency 2008-01.

Recommendation: We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

Action to be taken: We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.

Significant deficiency 2008-02.

Recommendation: We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

Action to be taken: We are aware of this deficiency and believe it is not cost beneficial in our situation to hire additional staff. We will continue to segregate duties in the business office based on available staff. We would expect this situation to be ongoing in future years.



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA
Valerie J. Hartel, CPA
Terry L. Haske, CPA
Janie L. Peasley, CPA
Timothy Franzel

Robert L. Tuckey, CPA

August 21, 2008

Members of the Board
Cass City Public Schools

In planning and performing our audit of the financial statements of the Cass City Public Schools as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated August 21, 2008 on the financial statements of Cass City Public Schools. Our comments are summarized as follows:

Current Year Comment

Oversight of Federal Programs

Currently the financial functions relating to federal programs are divided between three staff members. No one person is in charge of bringing the different functions together. There should be one employee charged with the responsibility of ensuring that compliance with the financial requirements associated with federal grants are complied with. All aspects of the financial reporting should be routed through this individual for compliance purposes.

This communication is intended solely for the information and use of management and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Cass City Public Schools and look forward each year to continuing our relationship. The cooperation extended to us by your staff throughout the audit was greatly appreciated. Should you wish to discuss any item included in this letter further, we would be happy to do so.

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Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.
Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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Jemie L. Peasley, CPA
Timothy Franzel

.....
Robert L. Tuckey, CPA

August 21, 2008

To the Members of the Board
Cass City Public Schools

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Cass City Public Schools for the year ended June 30, 2008, and have issued our report thereon dated August 21, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 20, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Cass City Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirement that could have a direct effect on a major federal program in order to determine our auditing procedure for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Cass City Public Schools' financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Cass City Public Schools' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on Cass City Public Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Cass City Public Schools' compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 20, 2008.

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Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Cass City Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Estimates have been used in calculating the liability for employee compensated absences. The estimated liability is approximately \$216,332. We evaluated the key factors and assumptions used to develop the estimate of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. We did not identify any significant disclosures.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 21, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Members of the Board and management of the Cass City Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants